

Virginia Department of Mines, Minerals & Energy

Virginia Gas and Oil Board

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Minutes and results of hearing, March 21, 2006

Board members present: Ms. Barber, Mr. Harris, Mr. McIntyre, Mr. Ratliff, Ms. Quillen, Mr. Wampler

1. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit C-50, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1556. Continued from February.

In the C-50 80-acre unit, the operator controls 61.2% of the coal and gas interests, and seeks to pool the remaining 38.8% of the interests. Unleased acreage subject to pooling totals 31.0 net acres in one tract with nine unleased owners. There are no conflicting claimants or unknown owners subject to escrow but there are conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 10/27/05. Pooling was approved.

2. The Virginia Gas and Oil Board heard a petition from Madeline Counts for disbursement of funds from escrow and authorization for direct payment of royalties on tract 4, unit VC-2975, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-97-0715-0593-01. Continued from February.

The petitioner has entered into an agreement with previously conflicting claimants to coalbed methane specifying that she is entitled to all past and future royalty proceeds attributable to Tract 4. The petition seeks disbursement of Board escrowed funds and direct payment of future royalties. Disbursement of funds was approved.

3. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit B-51, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0221-1576. Continued from February.

In the B-51 79.94-acre unit, the applicant controls 99.5% of the coal interests and 99.54% of the gas interests, and seeks to pool the remaining 0.5% of the coal interests and 0.46% of the gas interests. Unleased coal acreage subject to pooling totals 0.36 net acres in one tract with one unleased owner, and gas acreage subject to pooling totals 0.39 net acres in two tracts with eight unleased owners. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

4. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BB-124, New Garden District, Russell County, Virginia. Docket Number VGOB-06-0221-1579. Continued from February.

In the BB-124 58.74-acre unit, the applicant controls 98.1% of the coal interests and 71.6% of the gas interests, and seeks to pool the remaining 1.9% of the coal interests and 28.4% of the gas interests. Unleased coal acreage subject to pooling totals 6.3 net acres in two tracts with 58 unleased owners, and gas acreage subject to pooling totals 32.3 net acres in six tracts with 77 unleased owners. There are conflicting claimants and unlocated owners subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 12/9/05. Pooling was approved.

5. The Virginia Gas and Oil Board heard a petition from John Sheffield, Trustee of Oryn Treadwaye Sheffield, Jr. Trust and Oryn Sheffield, Jr., as Trustee of John Tolman Sheffield Trust requesting escrowing of funds attributable to conflicting interests underlying properties belonging to the Trusts, Big Prater Creek, Hurricane Creek and Russell Fork River areas, Buchanan County, Virginia. Docket Number VGOB-05-1213-1548. Continued from December 2005.

The petitioners claim ownership of coalbed methane interests in 69 tracts of land but have not been included in previous poolings or other actions involving the property. They are requesting that the Board require funds attributable to the their claimed interest be placed in escrow. Continued to April.

6. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for creation and pooling of sealed gob drilling unit VP8SGU4, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1597.

The applicant is requesting authorization to create a 481.4-acre sealed gob unit in order to produce gas from a sealed portion of the VP-8 mine. Applicant also seeks to pool all interests not under lease or previously pooled under separate Board orders. Through leases, ownership or prior poolings, applicant controls 98.0% of the coal interests and 53.9% of the gas interests, and seeks to pool the remaining 2.0% of the coal interests and 46.1% of the gas interests. Unleased coal acreage subject to pooling totals 9.6 net acres in three tracts with 14 unleased owners, and unleased gas acreage totals 221.9 net acres in 30 tracts with over 100 unleased owners. There are conflicting claimants and unknown owners subject to escrow. Formation of the sealed gob unit and pooling of unleased parties were approved.

7. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for creation and pooling of sealed gob drilling unit VP8SGU3, Prater and South Grundy Districts, Buchanan County, Virginia. Docket Number VGOB-06-0321-1598.

The applicant is requesting authorization to create a 4550.92-acre sealed gob unit in order to produce gas from a sealed portion of the VP-8 mine. Applicant also seeks to pool all interests not under lease or previously pooled under separate Board orders. Through leases, ownership or prior poolings, applicant controls 99.3% of the coal interests and 91.8% of the gas interests, and seeks to pool the remaining 0.7% of the coal interests and 8.2% of the gas interests. Unleased coal acreage subject to pooling totals 32.0 net acres in 13 tracts with over 70 unleased owners, and unleased gas acreage totals 371.5 net acres in 33 tracts with over 220 unleased owners. There are conflicting claimants and unknown owners subject to escrow. Formation of the sealed gob unit and pooling of unleased parties were approved.

8. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for creation of horizontal drilling unit O22A and I17, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1599.

The applicant seeks authorization to combine Oakwood 80-acre units G17, H17 and I17 and units O22, O23 and O24 for the purpose of creating two 240-acre horizontal drilling units. Proposed horizontal wells in both units will target the Pocahontas 11 coal seam. One vertical well has been previously drilled in unit O24 and two vertical wells have been previously drilled in unit G17. No permit applications for horizontal wells in the proposed units have been submitted. Creation of the horizontal units was approved.

9. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for creation of longhole unit 3, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1600.

The applicant seeks authorization for a 1,840-acre production unit to be created by combining 23 existing 80-acre Oakwood Field units. After mine entries are completed, horizontal holes spudded in the subsurface will be drilled into the remaining coal block for purposes of de-gasification and production. Production will be piped to and produced from one or more wells. A similar unit to the adjoining this proposed area on the west was approved by the Board in April of 2004. Creation of the longhole unit was approved.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for modification of the Oakwood I field rules to allow for the drilling of an additional well in units X-4 to X8, Y4 to Y8, Z-3 to Z-9, AA-3 to AA-13, BB-3, to BB14, CC-3 to CC-14, DD-3 to DD-20, EE-3 to EE-20, FF-8 to FF-20 in the Hurricane and Prater Districts, Buchanan County, Virginia. Docket Number VGOB-93-0216-0325-05.

The Oakwood Field Order currently allows one fraced coalbed methane well in each unit, and that well is to be drilled within the drilling window which is 300 feet inside the boundary of the unit. The applicant seeks to modify the order to allow for drilling of more than one frac well in each included unit, with the second well allowed to be drilled outside the window and not subject to the current 600 feet minimum spacing from other wells. In March of 2003 and January, March and November, 2005, the Board approved similar requests for drilling of multiple wells in each unit for units in other areas of the Oakwood field. The field rule modification was approved.

11. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for pooling of conventional unit PK L-26, Big Vein Well #12-05, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1601.

In the PK L-26 180-acre conventional gas unit, the applicant controls 98.7% of the oil and gas interests, and seeks to pool the remaining 1.3% of the interests. Unleased acreage subject to pooling totals 2.4 net acres in one tract having one unleased owner. There are no unlocated owners subject to escrow. A permit to drill the unit was issued on 8/18/05. Pooling was approved.

12. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for pooling of conventional unit PK N-25, Plum Creek Well #19-06, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1602.

In the PK N-25 180-acre conventional gas unit, the applicant has leased 100% of the oil and gas interests, but seeks a pooling order to allow acreage to be unitized. The unit contains five tracts with four owners. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

13. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for creation and pooling of conventional unit Plum Creek #18-06, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1603.

In the Plum Creek #18-06 112.69-acre conventional gas unit, the applicant controls 42.7% of the oil and gas interests, and seeks to pool the remaining 57.3% of the interests. Unleased acreage subject to pooling totals 64.5 net acres in two tracts having seven owners who are unleased or leased to a third party. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for creation and pooling of a conventional unit Plum Creek #27-06, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1604.

In the Plum Creek #27-06 112.69-acre conventional gas unit, the applicant controls 62.2% of the oil and gas interests, and seeks to pool the remaining 37.8% of the interests. Unleased acreage subject to pooling totals 42.6 net acres in one tract having one owner who is not leased to the applicant. There are no unlocated owners subject to escrow. A permit application has been submitted. Continued to April.

15. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit 77-Y, Lovers Gap-34, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1605.

In the 77-Y 58.74-acre unit, the applicant controls 100% of the coal interests and 98.3% of the gas interests, and seeks to pool the remaining 1.7% of the gas interests. Unleased gas acreage subject to pooling totals 1.0 net acres in one tract with one unleased owner. There are conflicting claimants and subject to escrow. A permit application has been submitted. Pooling was approved.

16. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of conventional gas unit V-536200, Lipps District, Wise, County, Virginia. Docket Number VGOB-05-1018-1516-01.

In the V-536200 112.69-acre conventional gas unit, the applicant controls 84.5% of the oil and gas interests, and seeks to pool the remaining 15.5% of the interests. Unleased acreage subject to pooling totals 17.5 net acres in three tracts having three unleased owners. There are no unlocated owners subject to escrow. This unit was originally pooled in October, 2005. A permit application has been submitted. Pooling was approved.

17. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536616, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1532-01.

In the VC-536616 58.77-acre unit, the applicant controls 99.5% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 0.5% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 0.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in three tracts having one unlocated owner (99.5%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 12/16/05. Continued to April.

18. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536474, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-05-1115-1533-01.

In the VC-536474 58.77-acre unit, the operator controls 89.6% of the coal and gas interests, and seeks to pool the remaining 10.4% of the interests. Unleased acreage subject to pooling totals 6.1 net acres in one tract with one owner who is not leased to the applicant. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in November, 2005. No permit application has been submitted. Continued to April.

19. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536475, Sandlick District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1537-01.

In the VC-536475 58.77-acre unit, the operator controls 42.1% of the coal and gas interests, and seeks to pool the remaining 57.9% of the interests. Unleased acreage subject to pooling totals 34.0 net acres in two tracts with two owners who is not leased to the applicant. There are no conflicting claimants but there are unknown owners subject to escrow. The unit was originally pooled in November, 2005. No permit application has been submitted. Continued to April.

20. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit V-536782, Kenady District, Dickenson County, Virginia. Docket Number VGOB-06-0321-1606.

In the V-536782 112.69-acre conventional gas unit, the applicant controls 82.0% of the oil and gas interests, and seeks to pool the remaining 18.0% of the interests. Unleased acreage subject to pooling totals 20.3 net acres in four tracts having 11 unleased owners. There are unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

21. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536623, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1607.

In the VC-536623 58.77-acre unit, the applicant controls 100% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 100% of the gas interests. Unleased gas acreage totals 58.77 acres in one tract having one unlocated owner. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 2/28/06. Pooling was approved.

22. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536622, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1608.

In the VC-536622 58.77-acre unit, the applicant controls 94.1% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 5.9% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 3.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in Two tracts having one unlocated owner (94.6%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit application has been submitted. Continued to April.

23. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location exception for proposed well 825840, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1609.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 295 feet closer to existing Columbia gas well 25310 than the 2500 feet mandated by spacing. The exception is needed for topographic reasons and to maximize recovery of the resource. No application for permit to drill the unit has been submitted. The location exception was approved.

24. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location exception for proposed well 825903, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1610.

The applicant seeks an exception in order to drill a conventional well closer to two existing wells than allowed under statewide spacing. The proposed well is to be 269 feet closer to existing Columbia gas well 823540 and 155 feet closer to existing Columbia gas well 21732 than the 2500 feet mandated by spacing. The exception is needed to minimize impact on future coal operations. An application for permit to drill the unit has been submitted. The location exception was approved.

25. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location exception for proposed well 824544, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1611.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 74 feet closer to existing Columbia gas well 24626 than the 2500 feet mandated by spacing. The exception is needed to minimize impact on future coal operations. An application for permit to drill the unit has

been submitted. The location exception was approved.

26. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for creation and pooling of conventional gas unit 825839, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1612.

In the 825839 112.69-acre conventional gas unit, the applicant controls 60.5% of the oil and gas interests, and seeks to pool the remaining 39.5% of the interests. Unleased acreage subject to pooling totals 44.6 net acres in one tract having one owner who is being pooled for unitization purposes. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

27. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for creation and pooling of conventional gas unit 825852, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1613.

In the 825852 112.69-acre conventional gas unit, the applicant controls 91.2% of the oil and gas interests, and seeks to pool the remaining 8.8% of the interests. Unleased acreage subject to pooling totals 9.9 net acres in one tract having one owner who is not leased to the applicant. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

The deadline for filing of petitions to the Board for the April 2006 hearing is 5 p.m., Friday, March 17, 2006 with the hearing scheduled for 9 a.m. on Tuesday, April 18, 2006 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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